

AMENDED IN SENATE MAY 2, 2006
AMENDED IN SENATE APRIL 18, 2006
AMENDED IN SENATE MARCH 27, 2006

SENATE BILL

No. 1492

Introduced by ~~Senator Speier~~ *Senators Speier and Cox*

February 23, 2006

An act to add and repeal Section 10089.705 of the Insurance Code, relating to automotive repair.

LEGISLATIVE COUNSEL'S DIGEST

SB 1492, as amended, Speier. Automotive body repair: insurance claims.

Existing law requires the Department of Insurance to establish a program to mediate disputes between insureds and insurers arising out of claims under automobile collision or physical damage coverage.

This bill would require the Department of Insurance to, in addition, establish a Rapid Dispute Resolution program. Insurers may agree to participate in the program and, upon agreement, the insurer would be bound by a decision made by the department regarding a dispute submitted by an insured to the program. An insurer who agrees to participate in the program would be required to notify an insured, as specified, of the program. An insured would not be bound by a decision of the department.

~~The Automotive Repair Act provides for registration and licensing of automotive repair dealers by the Bureau of Automotive Repair in the Department of Consumer Affairs. Existing law prohibits automobile insurers from requiring an insured to repair an automobile~~

~~at a particular automotive repair dealer, and imposes various requirements on insurers in that regard and with respect to other related matters.~~

~~This bill would express the intent of the Legislature to create an improved legal environment for the fair and rapid resolution of disputed automobile body repair claims.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~ yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 10089.705 is added to the Insurance
2 Code, to read:

3 10089.705. (a) In addition to the mediation program
4 established pursuant to Section 10089.70, the department shall
5 establish a program of Rapid Dispute Resolution under which a
6 licensed insurer may agree to submit to the department all
7 disputes about auto physical damage coverage under a policy as
8 defined in Section 660, and under which the insurer agrees in
9 advance to be bound by the decision of the department when a
10 disputed amount between an insured and an insurer is for seven
11 thousand five hundred dollars (\$7,500) or less, and when the
12 minimum amount in dispute is five hundred dollars (\$500) or
13 more. No insured shall be bound by the decision of the
14 department, nor shall the insured be required to agree to be
15 bound by the decision of the department in order to participate in
16 dispute resolution pursuant to this section.

17 (b) Every insurer shall identify, at the time of origination or
18 renewal of a policy, whether or not it has agreed to be bound by
19 a determination of the department through the rapid dispute
20 resolution program, and shall do so by prominently displaying
21 on the policy in 16-point boldface type the following disclosure:

22
23 RAPID DISPUTE RESOLUTION PROGRAM

24
25 Insurer to check one:

26 ☐ This insurer has agreed to participate in a Rapid Dispute Resolution
27 program operated by the California Department of Insurance in the event of
28 both of the following:

1 *A dispute between the insurer and you, the insured, involving repair to the*
2 *automobile.*

3 *The amount in dispute is for \$7,500 or less and the minimum amount in*
4 *dispute is \$500 or more.*

5
6 *If you have a dispute with this insurer during a repair and you wish to*
7 *participate in this program, you must contact the Department of Insurance at*
8 *916-327-HELP. Your participation in the Rapid Dispute Resolution program*
9 *is always voluntary. Any decision of the department regarding the dispute*
10 *would not be binding upon you. However, any decision of the Department of*
11 *Insurance would be binding on the insurance company, if you agreed to the*
12 *decision of the Department of Insurance regarding the dispute.*

13
14 ☐ *This insurer has declined to participate in a Rapid Dispute Resolution*
15 *program, as described above.*

16
17 (c) *Disputes through the Rapid Dispute Resolution program*
18 *shall be paid for by the insurer and the fee shall not be more than*
19 *three hundred dollars (\$300). At the time the insured requests*
20 *resolution of the dispute, the insured shall be obligated to pay*
21 *fifty dollars (\$50) for mediation costs which the department may*
22 *collect pursuant to regulations that the department shall adopt. If*
23 *the department determines that the insured is owed more than*
24 *two hundred fifty dollars (\$250), the insurer shall pay the fifty*
25 *dollar (\$50) fee on behalf of the insured. The department shall*
26 *endeavor to use digital photos, the Internet, and the resources of*
27 *other state departments to rapidly and fairly resolve a disputed*
28 *claim.*

29 (d) *The department shall use existing resources to promulgate*
30 *regulations to implement this section, and shall set forth time*
31 *lines within the regulations to ensure that the department's*
32 *proposed resolution of a dispute is communicated to the insured*
33 *and insurer within five calendar days of the department being*
34 *notified that a resolution is sought through the program, and all*
35 *information needed to offer a proposal to the insured has been*
36 *received by the department.*

37 (e) *The department shall annually include within its report to*
38 *the Legislature a list of disputes handled through this program*
39 *by indicating the company and the number of disputes handled*

1 *per company, and any recommendations for improvements to the*
2 *program.*

3 *(f) This section shall become operative on July 1, 2007 and*
4 *shall remain in effect only until July 1, 2012, and, as of that date*
5 *is repealed, unless a later enacted statute, that is enacted before*
6 *July 1, 2012, deletes or extends that date.*

7 ~~SECTION 1. It is the intent of the Legislature to create an~~
8 ~~improved legal environment for the fair and rapid resolution of~~
9 ~~disputed automobile body repair claims.~~